

May 18, 2012

Lynn M. Fraser, Director  
Alternative Dispute Resolution Office  
Federal Election Commission  
Washington, DC 20463

Re: ADR 612 (RAD 12L-16)  
Friends of Sean Bielat and Norm Fay, Treasurer

Dear Ms. Fraser:

This letter is in response to the compliance issues referred to the Federal Election Commission's ("FEC") Alternative Dispute Resolution Office ("ADR Office") for processing.

Friends of Sean Bielat ("the Committee") has amended its October 2010, 2010 12-Day Pre-General, and 2010 30-Day Post-General Reports (collectively, "the reports") and identified all discrepancies. Please see the May 4, 2012 amendments for the October Quarterly, 12-Day Pre-General, and 2010 30-Day Post-General Reports. Based on all available information, these reports are accurate. In response to the issues raised in the April 13, 2012 letter from the FEC, i.e., "failing to disclose all financial activity" including "additional receipts of \$4,905.00, additional disbursements of \$48,568.03, and additional debts of \$21,336.94 [sic]" the following points are offered:

1. **Active and prompt efforts to correct all identified errors.** Throughout the 2010 election cycle and continuing until today, the Committee has actively continued to correct all known deficiencies in the reports, filing numerous amendments to fix previous mistakes. Requests for Information were addressed in a timely fashion (see Exhibit A) and, as it found new information, the Committee filed amended reports.
2. **Unexpected and massive surge in contributions and expenditures.** In the eight months between the start of the campaign in January 2010 through the primary on September 14, 2010, the Committee had raised approximately \$235,000. During the six weeks between the September 14<sup>th</sup> primary and the November 2<sup>nd</sup> general election, the Committee was flooded with donations, raising an astounding \$2.2 million in seven weeks, almost ten times what had come into the Committee in the previous eight months (see Exhibit C). Heavy media exposure also created unexpected online contributor activity.

At the time, the Committee did not have the appropriate infrastructure in place to deal with the volume of contributions to ensure compliance with its

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reporting. The Committee Treasurer, who also served as Campaign Political Director and the Candidate's Special Assistant, had no previous campaign experience nor any formal accounting, book keeping, or compliance experience. As a result, he was ill equipped to understand and, therefore, handle the massive volume of contribution and expenditures and corresponding FEC reporting requirements. Accordingly, the Committee's General Consultant took responsibility for FEC reporting in September 2010 for an additional fee.

The Committee continued to amend its reports prior to the election and respond to FEC Requests for Information as soon as possible after they were received (see Exhibit A).

3. **Lack of continuity in the Treasurer role (see Exhibit B).** Over the course of 12 months, the Committee had four separate treasurers. The first individual served as Treasurer during Q1 2010 and personally filed the corresponding report. The second individual served as Treasurer from April 2010 to April 2011 and personally filed the Q2 2010 and pre-primary 2010 reports; the General Consultant filed subsequent reports during the second individual's tenure. The third individual served as Treasurer from April 2011 until May 2011 but did not personally file any reports. Norm Fay, the current Treasurer, became the Committee's treasurer in May 2011, long after the original 2010 reports were filed. Mr. Fay did not personally file any reports and also was not associated with reporting or Treasurer functions during the period of the initial discrepancies in the original or amended reports.
4. **Incompetent consultant (see Exhibit B).** The General Consultant proposed taking on reporting responsibilities beginning in September 2010 in exchange for an additional fee. At that time, the General Consultant represented that it had experience with FEC filing and compliance. Unfortunately, this did not turn out not to be the case. Despite making numerous assurances to the contrary to the candidate and to various Treasurers, the General Consultant had a limited understanding of the process and had great difficulty in finding the source of its errors. Nevertheless, the Committee diligently continued to keep the General Consultant focused on correcting its mistakes.
5. **Discrepancies driven by vendor miscommunication regarding online transactions.** Online contributions comprised over \$1.5 million in the final weeks of the campaign. The Campaign used multiple online payment processing platforms to collect online contributions, and each platform handled payments and fees slightly differently. At some point, a miscommunication caused many contributions to be recorded twice, causing tens of thousands of dollars of excessive contribution reporting and leading to many FEC inquiries into missing 48-hour notices. Additionally, some

contributions were inadvertently recorded by the amount the campaign netted after the processing fee was paid, rather than the amount originally contributed. These errors were rectified, but they caused significant swings that rippled through future reports.

6. **Discrepancies were inadvertent and in no way beneficial.** The fact that even the FEC's analysis of the discrepancies is incorrect in some instances (see Exhibit D) is indicative of the difficulties of forensically reconstructing the actual numbers. The mistakes the Committee made were inadvertent. The Committee did not benefit, nor could it have benefited, from the discrepancies. In fact, the effort of repeatedly amending the reports and revisiting events of 18-24 months ago has been extremely time consuming and financially and politically costly.
7. **We have been very proactive in ensuring that similar mistakes are not made in the future.** When it became clear in October 2011 that the General Consultatn was unable to understand and correct their own errors, the Campaign contracted with Nancy Watkins, an experienced campaign finance accountant to try to rectify the discrepancies (see Exhibit E). Additionally, in order to prevent any potential future errors, the 2012 Committee contracted with a campaign finance consultant before announcing the new campaign and prior to raising a single contribution.

Thank you for your consideration of the documentation the Committee has submitted in this matter. We hope to come to a timely resolution of these issues. Please do not hesitate to contact me if you have any questions before the negotiation scheduled on Wednesday, May 23, 2012.

Sincerely,



Joanna M. Kornafel

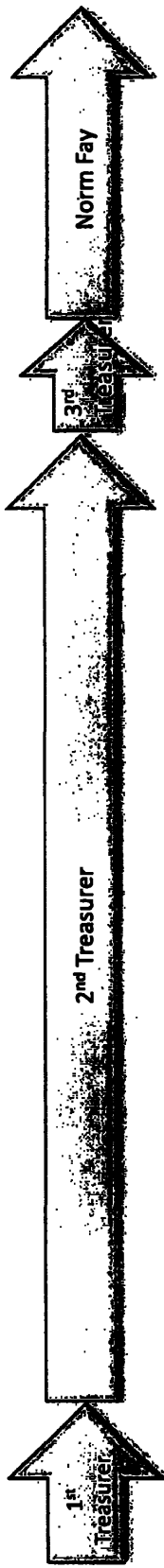
Representative of Friends of Sean Bielat and Norm Day, Treasurer

# TIMELINE of KEY PEOPLE IN 2010 CAMPAIGN

Person Responsible for Preparing FEC Reports:



Treasurer:



## Source of Initial Errors on FEC Reports

